

CITY OF OAK HARBOR
Island County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. City Officials Should Improve Controls Over Collection Of Cash Receipts And Accounts Receivable

During our audit of cash receipts we noticed the following internal control weaknesses:

a. Parks Department

Campers' payments at City Beach Park are collected by one employee, and deposited with the finance department without the documentation available to support the amount which should have been collected. Until accountability over these funds is established in the finance department, this money is best safeguarded by two people being responsible for its collection and delivery.

RCW 43.09.200 states in part:

... The accounts shall show the receipt, use and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amount due and received from each source; all receipts, vouchers, and other documents kept or required to be kept, necessary to isolate and prove the validity of every transaction

We recommend that two employees collect money from the City Beach Park. In addition, the employees should turn in their "Count Sheet" to provide evidence of the number of campers from whom the standard fee was collected, and in turn how much money should be deposited with the finance department. This will help ensure all money collected from the park is deposited intact with the finance department. This will also protect the employees responsible for collecting the money.

We also recommend that city employees transport these moneys in a locked bank bag. If funds cannot be taken directly to city hall they should be kept in a safe or placed in a bank night deposit. All funds should remain intact until counted by the finance department.

b. Marina

At the marina one employee collects money for guest moorage, showers, and ice sales. There is no accountability over this money until it is turned in to the marina office.

We recommend that two employees collect and count money for guest moorage,

showers, and ice sales. This should provide control similar to that recommended for collections at City Beach Park.

We also found that no one reconciles marina customer receivable accounts from the detailed ledger to the general ledger control account. Unless detailed customer receivable ledgers are reconciled to the control balance, city officials cannot ensure that all customer billings are recorded, or that all payments are recorded and deposited.

We recommend that city officials periodically reconcile customer receivable ledgers to the control account in the general ledger.

2. City Officials Should Improve Internal Accounting Controls Over Fixed Assets

Our review of the city's fixed assets revealed the following weaknesses in internal controls:

- a. City officials do not maintain a detailed asset ledger for the general fixed asset account group.
- b. City officials do not take a physical inventory of the city's assets on a regular basis.

As a result of the absence of a fixed asset ledger for the general fixed asset account group, we were unable to apply audit procedures to verify the validity of general fixed asset balances. Consequently, we consider this condition to be a material weakness in internal control for financial reporting purposes.

This condition was reported in our prior audit (Report No. 56535).

We again recommend that city officials:

- a. Establish and maintain a detailed fixed asset subsidiary ledger for the general fixed asset account group. All additions and retirements of fixed assets should be recorded in this ledger as they occur. The ledger should be reconciled to the general ledger control account in a timely manner.
- b. Perform a comprehensive annual physical inventory of fixed assets, including land, buildings and improvements, and equipment. Any differences between the physical inventory, the fixed assets subsidiary ledger, and the general ledger accounts should be resolved.

3. The City Should Reconcile Bank Accounts To General Ledger Accounts

Our audit reports for calendar years 1992 and 1993 disclosed that city officials were not able to reconcile cash in the general ledger to bank statements. During 1994, city officials made significant progress with preparing an accurate check register for the city's operating bank accounts.

However, during our audit of cash for 1994, we found that city officials did not prepare periodic reconciliations of the bank statements to the general ledger "cash" accounts. As a result, significant year-end adjustments were necessary to reconcile these accounts to the bank's balances.

Without a monthly reconciliation of cash in the general ledger to the amount in the bank statements, city officials cannot safeguard cash and monitor cash flow. This can have serious repercussions on budgeting, the accuracy of information provided to management, financial reports to the public, and daily financial management decisions.

We recommend that the finance department reconcile the general ledger cash accounts to the bank statements, monthly.